

Military Pay and Benefits 2000

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Military Pay and Benefits 2000

Office of the Secretary of Defense
(Personnel and Readiness)
Pentagon
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Overview

Overview

Pay2000 Revised and Updated

Welcome to the newly updated and revised Pay2000 web site, now dedicated solely to helping members make the bonus/retirement system choice they face at their 15th year of active duty service. This is the choice of remaining under the retired pay provisions of the High-3 system or instead electing to receive a \$30,000 one-time lump-sum Career Status Bonus (CSB) along with reduced length-of-service retired pay under the 1986 Military Retirement Reform Act (1986 MRRA or REDUX) -- jointly referred to herein as CSB/REDUX. Because the Bonus option is impacted by the Thrift Saving Plan (TSP), we also cover the basics of this new benefit.

New Site Offers Other Pay and Benefit Info for Service Members

Other military pay and benefit info will soon be found at <http://militarypay.dtic.mil>.

The new site will eventually provide a broad range of current official information on military pay and benefits. It will have detailed information on the common elements of military pay: basic pay, basic allowance for housing, basic allowance for subsistence, and the tax advantage of the allowances. It will also enable you to estimate your potential retired pay and survivor benefits as well as get limited information on ancillary benefits derived from military service, including VA disability compensation and Social Security benefits. Further expansions of this site are anticipated to provide information on the full range of military pay and benefits, including official news of pending and recent improvements.

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Pay Raises

Pay Raises

In January, 2001, every military member will receive a 3.7% pay raise. In July 2001, a second pay raise will occur. This is a one-time adjustment to the pay table. This pay raise is targeted to mid-grade enlisted pay. The July 2001 pay table displayed in the Pay2000 website is the minimum increase that will occur. The National Defense Authorization Act for Fiscal Year 2001 gives the Secretary of Defense limited authority to further increase enlisted pay rates on July 1, 2001. This web site will be updated with any proposed change in pay rates.

The following pay tables are attached at the end of this document.

- January 1, 2001, Active Duty Pay Table
- January 1, 2001, Reserve 4-Drill Pay Table
- July 2001 Active Duty Pay Table
- July 2001 Reserve 4-Drill Pay Table

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Retirement Choice

Retirement Choice

For those who entered after July 1986

Members who entered the service after July 31, 1986, will be given a choice of retirement plans at their 15th year of service. There are two options:

1. Take the pre-1986 retirement system (High-3 System) OR
2. Elect to receive a one-time lump-sum Career Status Bonus (CSB) and have length-of-service retired pay computed under the post-1986 retirement system (the Military Retirement Reform Act of 1986, or 1986 MRRA, commonly known as REDUX). This option is referred to jointly as the CSB/REDUX option.

Both options have their own merits. Neither is universally better than the other. Which option is more advantageous can only be determined by each individual for his or her own unique circumstances and preferences. The following topics provide more depth to this discussion:

- Who is affected? (page 5)
- The finer points of the High-3 Option (page 6)
- Details of the CSB/REDUX Option (page 7)
- An example comparing the two options (page 9)
- Some typical situations (page 13)
- A personalized calculator that lets you decide (page 29)
- Frequently Asked Questions (page 30)

Who is Affected?

Service members who initially entered Uniformed Service on or after August 1, 1986, are the only ones who may choose between the High-3 retirement system and the CSB/REDUX option. Members who entered prior to August 1986 (but after September 8, 1980) will remain under the High-3 system.

The date that an individual entered (military) service is the DIEMS or DIEUS (Date of Initial Entry to Military/Uniformed Service). Some Services may use other terminology. The DIEMS/DIEUS determines which retirement system an individual is under. Some individuals have unique circumstances that complicate determining their DIEMS.

Here are a few examples:

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- Academy graduates who entered the Academy prior to, but graduated after, August 1986 are under the High-3 System, even though they were graduated, commissioned, and entered active duty significantly later.
- ROTC graduates who began a ROTC scholarship program or enlisted as a Reserve in the Senior ROTC program prior to August of 1986 are also under the High-3 System.
- Officer and enlisted members who initially entered the military prior to August 1986, separated, and after a break in service, rejoined the military, are under the High-3 System, even if their payday was adjusted to a date of August 1986 or later.
- Members who enlisted under the delayed entry program (DEP) are under the system in effect when they entered the delayed entry program, not when they initially reported for duty.

All Services have reviewed their DIEMS Records to ensure these dates are properly recorded in personnel records. Nevertheless, because of the importance of this date, we suggest you take a personal interest in verifying that your Service has correctly determined your DIEMS. If you have unusual circumstances and are unsure of your DIEMS or believe your records show an incorrect DIEMS, contact your personnel office to discuss your particular situation.

High-3 Option

The finer points of the High-3

There is more to know about High-3 than "50% at 20 years." Several factors combine to determine each member's retirement amount and how it increases during retirement. High-3 applies to individuals who entered the service on or after September 8, 1980, but before August 1, 1986. It will also apply to individuals who entered service on or after August 1, 1986, and who do not elect the CSB/REDUX at their 15th year.

Each year of service, up to 30, is worth 2.5% toward the retirement multiplier. Hence, $2.5\% \times 20 \text{ years} = 50\%$ and $2.5\% \times 30 \text{ years} = 75\%$. The longer an individual stays on active duty the higher the multiplier and the higher the retired pay, up to the maximum of 75 percent.

This multiplier is applied against the average basic pay for the highest 36 months of the individual's career. This typically, though not always, equals the average basic pay for the final three years of service. Also, remember only basic pay is used in retirement calculations in all retirement system options. Allowances and special pays do not affect retired pay.

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Cost-of-Living Adjustments (COLAs) are given annually based on the increase in the Consumer Price Index (CPI), a measure of inflation. Under the High-3 System, the annual COLA is equal to the annual percentage increase in the CPI. This is a different index than the one used for active duty annual pay raises which is based upon average civilian wage increases. Thus, retired pay COLAs and annual active duty pay raises will differ.

CSB/REDUX Option

The CSB/REDUX option is a "package deal." Even though it results in reduced retired pay, it may be preferable to the High-3 retirement because it includes a \$30,000 Career Status Bonus (CSB) at the 15th year of active duty service. The CSB provides current cash for investing, major purchases, or setting up a business after retirement and the REDUX portion determines retirement income (the longer one's career, the higher that income).

REDUX System Details

REDUX has several features that are less well known than the reduced 20-year multiplier which changed from 50% in High-3 to 40% under REDUX. Both the multiplier calculation and annual Cost-of-Living Adjustments (COLAs) differ from the High-3 system. Also, REDUX has a catch-up increase at age 62 that brings the REDUX retired pay back to the same amount paid under the High-3 System. REDUX is the only military retirement system with this feature.

Initial Multipliers

Each of the first 20 years of service is worth 2.0% toward the retirement multiplier. But each year after the 20th, up to the 30th, is worth 3.5%. Hence, $2.0\% \times 20 \text{ years} = 40\%$. But a 30 year career is computed by 2.0% times the first 20 years plus 3.5% for the 10 years beyond 20, resulting in 75%, the maximum multiplier. This means that the retirement multiplier for a 30-year career is the same for both REDUX and High-3. The table below summarizes the initial multiplier at various years of service under High-3 and REDUX.

Years of service	20	22	24	26	28	30
REDUX	40%	47%	54%	61%	68%	75%
High-3	50%	55%	60%	65%	70%	75%

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Under REDUX, the longer an individual stays on active duty the closer the multiplier is to what it would have been under High-3 up to the 30-year point where the multipliers are equal.

In precisely the same way as High-3, this multiplier is applied against the average basic pay for the highest 36 months of the individual's basic pay. This typically, though not always, equals the average basic pay for the final three years of service. Also, remember this is basic pay; allowances and special pays do not affect retired pay.

Cost-of-Living Adjustments (COLAs) for retired pay are given annually based on the increase in the Consumer Price Index (CPI), a measure of inflation. Under REDUX, the COLA is equal to CPI minus 1 percentage point (CPI-1%). For example, if the CPI increased 3.5% for the year, the REDUX COLA would be 2.5%. No COLA is granted if the CPI increase is 1% or less.

A feature unique to REDUX is a re-computation of retired pay at age 62. Two adjustments are made. The first adjusts the multiplier to what it would have been under High-3. For example, a 20-year retiree's new multiplier would become 50%, a 24-year retiree's multiplier would become 60% but a 30-year retiree's would remain 75%. This new multiplier is applied against the individual's original average basic pay for his or her highest 36 months. Then the second adjustment is done. Full CPI for every retirement year is applied to this amount to compute a new amount of retired pay. At age 62, the REDUX and High-3 retired pay are equal. But, REDUX COLAs in later years will again be set at CPI minus 1 percentage point.

The \$30,000 Career Status Bonus

Those members who elect the CSB/REDUX at their 15th year receive a \$30,000 Career Status Bonus. To receive this bonus, the member must agree to complete a twenty-year active duty career with length-of-service retired pay under the 1986 Military Retirement Reform Act - 1986 MRRA or REDUX. Continuation beyond twenty years is possible, subject to Service personnel management actions. However, the member's commitment with the CSB is only to the 20-year point. The entire \$30,000 bonus is paid shortly after the member makes the CSB/REDUX election and commits to the 20-years-of-service obligation. (Exact mechanics should be provided by your Service near the point you have 14 and 1/2 years of service.)

If the member doesn't complete the obligation to remain in service until completion of twenty years, the member must repay a pro-rated share of the bonus.

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Reservists who entered after July 1986

Reserve members who are serving on extended active duty with 14 1/2 years of retirement creditable service may elect the CSB/REDUX only if they have retainability through 20 years of service. Reserve members in a drilling status working toward Reserve retired pay at age 60 (called non-regular retirement) are not eligible to elect the Career Status Bonus and REDUX (CSB/REDUX). This is because the method of determining the non-regular retired pay is unaffected by the REDUX system. It was, however, affected by the reduced COLA provision of REDUX but this was removed by legislation enacted in 1999. In other words, Reservists who entered after July 1986 and who will receive a Reserve (nonregular) retirement at age 60 will receive full CPI COLAs.

Comparing Options

High-Three versus REDUX/Bonus Example

The following fictitious story, about twin brothers Harry and Richard, shows the differences between the High-3 and CSB/REDUX retirement systems, the potential worth of the CSB and insight to the lifetime value of the two retirement options. How this story could play out for you depends upon your personal situation and assumptions about your career and the economy. A planning calculator is available on this website for you to make some comparisons of your own.

In August 1986, Harry and Richard, twenty-year old twins, enlisted in the military. As Harry and Richard had always done everything together, they continued to do so by being promoted with identical dates for their entire career. But, one event is about to make their careers and futures different.

In 2001, Harry and Richard face a choice. They are nearing their 15th year of service and may retain the High-3 retirement plan or they may take a \$30,000 CSB and the REDUX retirement system.

Harry chose High-3 and Richard chose the CSB/REDUX option. Immediately, their finances changed. Richard now had \$30,000 more in cash. This money, after taxes, was his to spend as he wished -- a down payment on a house, college tuition for the kids, a new car, or invest for use later.

This \$30,000 is taxable unless placed into the Thrift Savings Plan (TSP) or other qualified investment. TSP has been authorized and an open season for military members to start participating in the program is expected to begin in October, 2001,

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with first contributions to the system to be made from pay in January 2002. Under current rules, Richard may place an annual maximum of \$10,500 in a TSP account. Taxes would not be paid on amounts invested in the TSP nor on any TSP earnings until withdrawal. This is a very positive feature that Richard would be well-advised to consider. To simplify this story, however, Richard decided not to invest in the TSP, but instead to pay tax on the entire amount now and invest the entire after-tax balance in a mutual fund earning 8% annually. As the \$30,000 is taxable income and Richard is in the 28% tax bracket, he will pay \$8,400 in taxes on this bonus leaving \$21,600 to invest.

In 2006, Harry and Richard both retire with 20 years of service. Since they both had a High-3 average monthly basic pay (over their highest 3 years) of \$3,000, Harry, under High-3, gets 50% or \$1,500 per month, and Richard, under CSB/REDUX, gets 40% or \$1,200. Although Harry has a larger retirement check than Richard, Richard has been building up the savings on his \$21,600 of Career Status Bonus for the past five years -- it is now worth \$28,600 (after paying taxes on its earnings).

(Note: Retired pay is generally taxable but tax implications on such pay is not reflected in this story, only the tax on Richard's investment earnings.)

Each year during their retirement, Harry and Richard will receive Cost-of-Living Adjustments (COLAs) based upon the consumer price index (CPI) which measures inflation. Harry's High-3 COLA is the full CPI (3.5% each year in our story) so Harry gets a 3.5% retired pay raise each year. Richard, however, gets a 2.5% raise because COLAs under the REDUX system are equal to CPI minus 1 percentage point (CPI-1%). But, Richard's CSB is still growing in his mutual fund.

This story continues the same way until 2028 as they near their 62nd birthday. Up to this point, Harry has received nearly \$582,000 in retired pay and his current monthly amount is now about \$3,100. Richard has collected \$415,000 total retired pay and now gets a bit more than \$2,000 each month. But, Richard is still saving that CSB money -- it's now worth \$98,000. Counting both the mutual fund value and what he's collected in retirement, selecting the CSB/REDUX combination has netted him \$513,600 -- close, but \$68,300 less than what Harry has received.

Their 62nd birthday also brings retirement adjustment for Richard. Richard's retired pay is recomputed as if he had been under High-3 all these years. This means that he will now get 50% of his original base plus full 3.5% COLAs added to it for his past retirement years. So, for one year, Harry and Richard receive the exact same retired pay -- about \$3,200 per month. This is for only one year because the following year, Harry gets his 3.5% COLA and Richard gets his 2.5% COLA, but it's added to his newly adjusted retirement salary of \$3,200. This "catch-up" adjustment impacts Richard's total

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accumulation and by the end of the year, his total is within \$63,000 of Harry's total accumulation.

By now some people would have spent some or all of the money that Richard put in the mutual fund on a vacations, cars, or to augment their retirement income, but Richard wants to pass the money to his heirs and keeps saving. When they are seventy-five, Harry has received over \$1,260,000 in retirement income; his current monthly amount is \$5,000. Richard has collected over \$1,040,000 in retirement income and now earns \$4,400 each month. But, Richard is still saving that CSB -- it's now worth over \$214,000. Counting both the mutual fund value and what he's collected in retirement, selecting the CSB/REDUX option is worth \$1,264,000, surpassing Harry's total amount by \$4,000. From this point forward, Richard will continue to outpace Harry's total accumulation.

The following chart summarizes Harry and Richard's story. Remember that this is an example that shows what the differences between the CSB/REDUX option and High-3 retirement. The results depend upon the assumptions built into the story and the choices that Richard made. Many of these assumptions were made to simplify the story and not necessarily reflect likely conditions. The point is that the choice is complex and some close scrutiny is in order before you decide which way to go.

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Summary of Options

Point of Comparison	Harry (High-3)	Richard (CSB/REDUX)
15th Year of Service		
Bonus	\$0	\$30,000
Taxes	\$0	-8,400
Total	\$0	\$21,600
Time of Retirement		
Savings	\$0	\$28,600
Cumulative retired pay	0	0
Total	\$0	\$28,600
End of First Retirement Year		
Savings	\$0	\$30,200
Cumulative retired pay	\$18,000	14,400
Total	\$18,000	\$44,600
Retired pay for the year	\$18,000	\$14,400
Age 61		
Savings	\$0	\$98,000
Cumulative retired pay	\$581,900	415,600
Total	\$581,900	\$513,600
Retired pay for the year	\$37,100	\$24,200
Age 62 -- REDUX Readjustment		
Savings	\$0	\$103,600
Cumulative retired pay	\$620,300	454,000
Total	\$620,300	\$557,600
Retired pay for the year	\$38,400	\$38,400
Age 75		
Savings	\$0	\$214,600
Cumulative retired pay	\$1,260,000	\$1,049,400
Total	\$1,260,000	\$1,264,000
Retired pay for the year	\$60,000	\$52,900

Now, on the other hand, if Richard had bought that new car in 2001.....???

Many individual differences -- age, salary, years of service at retirement, spending and saving habits -- will and should influence your decision and will make your story with a

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fictitious twin different than Harry and Richard's. A calculator that allows you to enter your personal situation into it is available at this website so you may do some comparison of options for yourself.

Typical Situations

Other sections of this web page have described the differences between the High-3 and the CSB/REDUX retirement options. There are three main differences for electing the CSB/REDUX option: 1) \$30,000 bonus at 15 Years of Service, 2) a reduced retired pay multiplier before age 62, and 3) reduced Cost-of-Living Adjustments (COLAs) that are one percentage point below the CPI (readjusted at age 62).

Your preferred retirement option may depend on whether you consider that the bonus offsets the reduced multipliers and COLAs. How you determine this will depend upon many factors: the projected years of service and grade at retirement, how the bonus will be used, economic factors, and more. Comparisons between the two retirement options are shown in the following pages for some "typical" retirement situations. These comparisons are sensitive to the assumptions made for each situation. Please view the "Common Assumptions" in conjunction with the results. Afterwards, review the "Considerations" section for a discussion on points that may not have been highlighted by the typical case illustrations. All examples assume you invest the bonus or a portion of your retired pay. If you spend the money, there will be no investment accumulations.

- Common Assumptions (page 13)
- Typical Case Illustrations (page 15)
 - ◆ O-5 Retiring at 20 Years of Service (page 15)
 - ◆ O-5 Retiring at 24 Years of Service (page 16)
 - ◆ O-6 Retiring at 30 Years of Service (page 18)
 - ◆ E-7 Retiring at 20 Years of Service (page 20)
 - ◆ E-8 Retiring at 24 Years of Service (page 22)
 - ◆ E-9 Retiring at 30 Years of Service (page 24)
 - ◆ W-3 Retiring at 22 Years of Service (page 26)
- Considerations (page 28)

Common Assumptions

These cases were built with a common set of assumptions. The future will no doubt unfold differently and actual results will differ correspondingly. Remember these comparisons are not guaranteed. They are merely estimates based on a set of assumptions that appear as valid as any other.

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Scenario assumptions:

- All individuals in the various cases are currently in their 15th Year of Service.
- The members predict their likely retirement grade and Years of Service for the determining the retirement income streams.
- The "starting" retired pay is based on projecting the July 2001 pay table an appropriate number of years into the future. For example, cases in which the individual retires at 20 Years of Service have a retired pay based on a projected active duty pay table for 5 years from July 2001. The active duty pay is increased by 3.5% annually, a mildly conservative assumption.

Service Member Assumptions:

- Officers joined at age 22.
- Enlisted members joined at age 18.
- Warrant officers joined at age 20.
- Individuals retire with exact Years of Service. For example, a person who retires at 20 years of service is assumed to have 20 years and 0 months.
- To determine the final three-year average pay, the pay rates during the member's 17th, 18th and 19th years are used assuming the member is in the retirement grade for all three years.
- The July 2001 pay table is used for all pay calculations.

Economic Assumptions:

- Consumer Price Index (CPI) is 3.5% during the member's entire retirement.
- Members will invest the entire \$30,000 bonus less projected taxes.
- The Thrift Savings Plan (TSP) is implemented with a maximum contribution limit of \$10,500 and the member chooses to place \$10,500 of the career bonus into this account less a percent of basic pay for the year. Officer examples place 3% of basic pay into the TSP; warrant officers place 2%; and enlisted members place 1%.
- Money placed into the TSP and all accumulated earnings are tax-deferred until withdrawn.
- The member chooses to invest the remainder in a Mutual Fund. Both this portion of the bonus and its earnings are taxable.
- Earnings from the TSP are 8% and earnings from the mutual fund are 8%.
- Tax rate is 28% in all cases.
- State taxes are not considered.

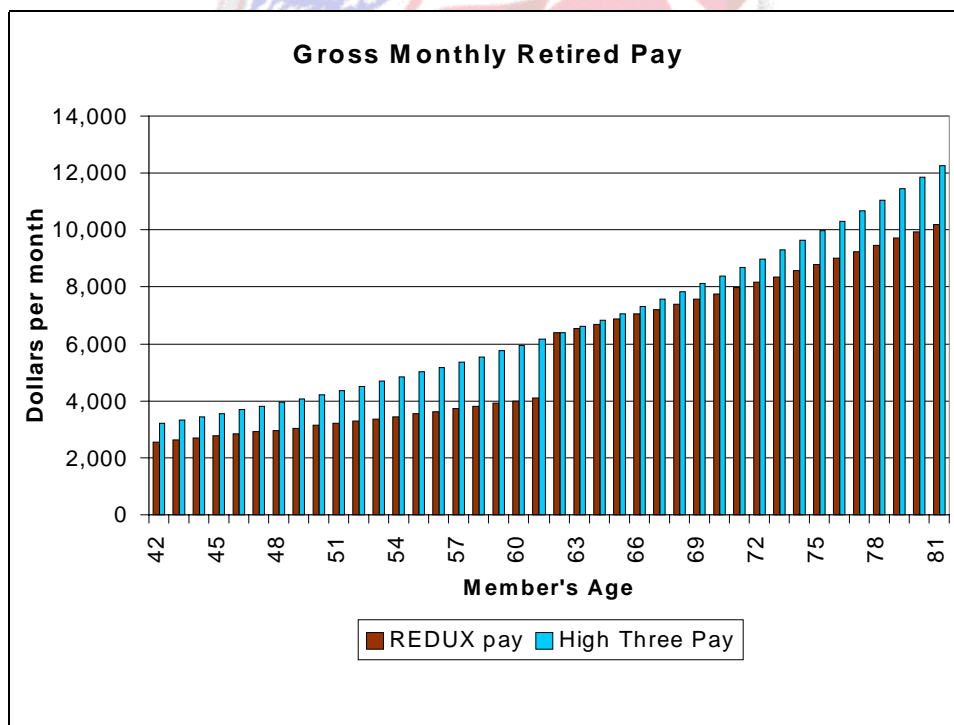
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Typical Case Illustrations

O-5 Retiring at 20 Years of Service

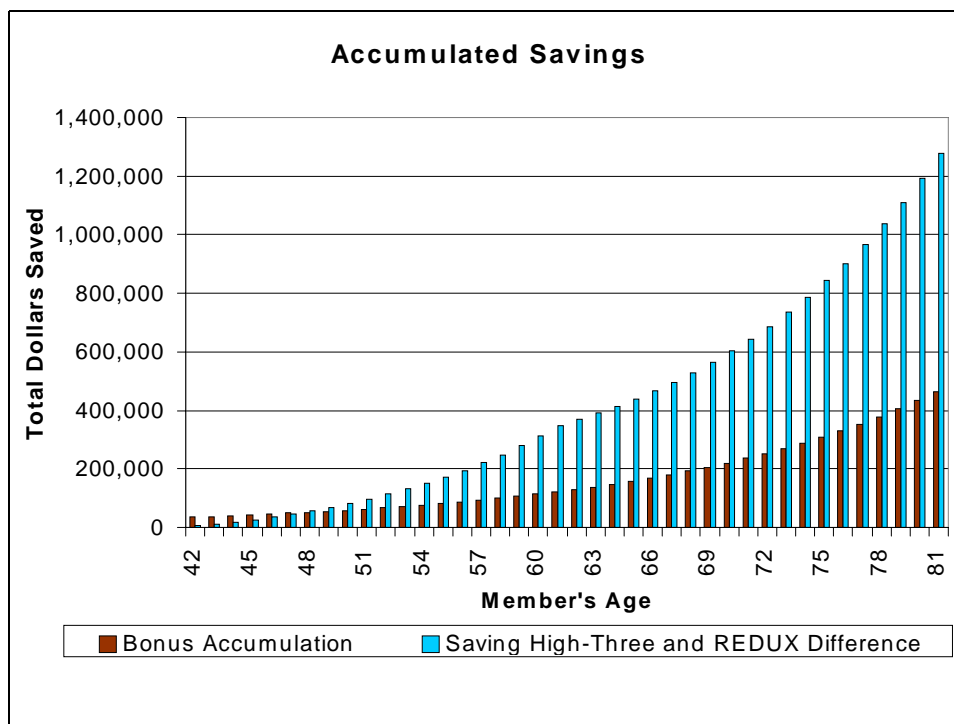
This first chart depicts the estimated gross monthly retired payments under both retirement options. Taxes and participation in the SBP are not considered. The REDUX jump reflects the cost-of-living catch up adjustment and multiplier re-adjustment at age 62. In comparing your options, focus on the differences on the level of retired pay. You need to determine whether your \$30,000 bonus at the 15th year will make up for these reductions.



In the following chart, the amounts shown are the accumulation of after-tax savings from electing the \$30,000 bonus at year 15 compared to the accumulation from saving the after-tax difference in the High-3 retired pay over the REDUX retired pay. In this case, the savings of extra retired pay in the High-3 option surpasses the accumulated savings from the bonus when the member is 48. This cross-over would be delayed or eliminated if the after tax earnings from the mutual fund/savings were much higher than 8 percent.

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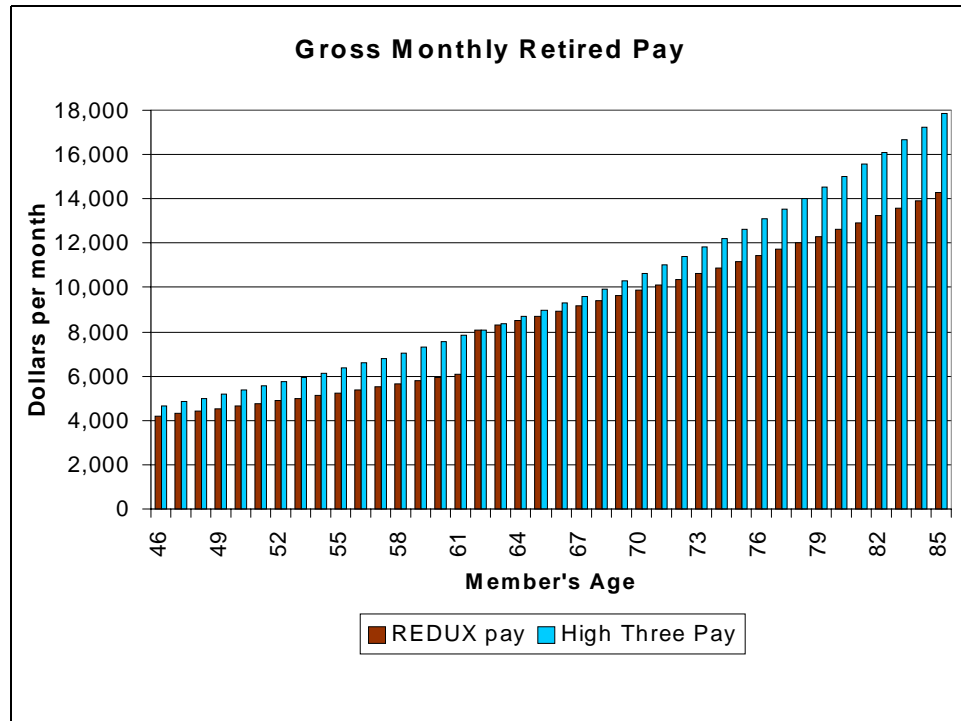
These results will vary depending on your choices and the assumptions. The above example is only a simple comparison of the essential differences between electing REDUX/Bonus or accepting High-3. See the Considerations section for a more in-depth discussion on factors that will affect the results depicted.

O-5 Retiring at 24 Years of Service

This first chart depicts the estimated gross monthly retired payments under both retirement options. Taxes and participation in the SBP are not considered. The REDUX jump reflects the cost-of-living catch up adjustment and multiplier re-adjustment at age 62. In comparing your options, focus on the differences on the level of retired pay. You need to determine whether your \$30,000 bonus at the 15th year will make up for these reductions.

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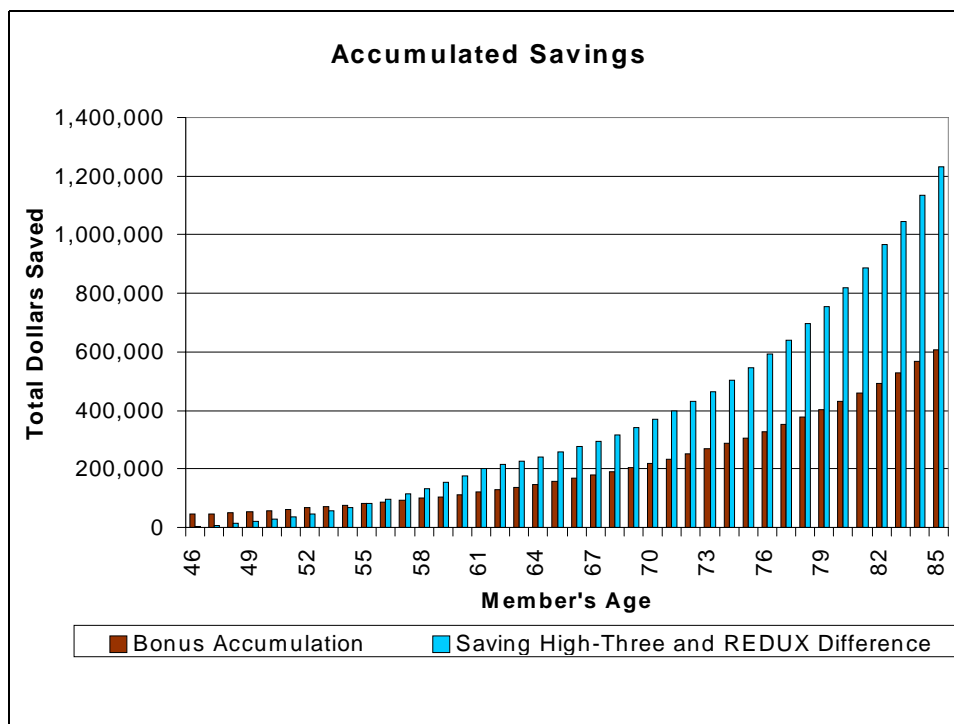
Retirement Choice



In the following chart, the amounts shown are the accumulation of after-tax savings from electing the \$30,000 bonus at year 15 compared to the accumulation from saving the after-tax difference in the High-3 retired pay over the REDUX retired pay. In this case, the savings of extra retired pay in the High-3 option surpasses the accumulated savings from the bonus when the member is 56. This cross-over would be delayed or eliminated if the after tax earnings from the mutual fund/savings were much higher than 8 percent.

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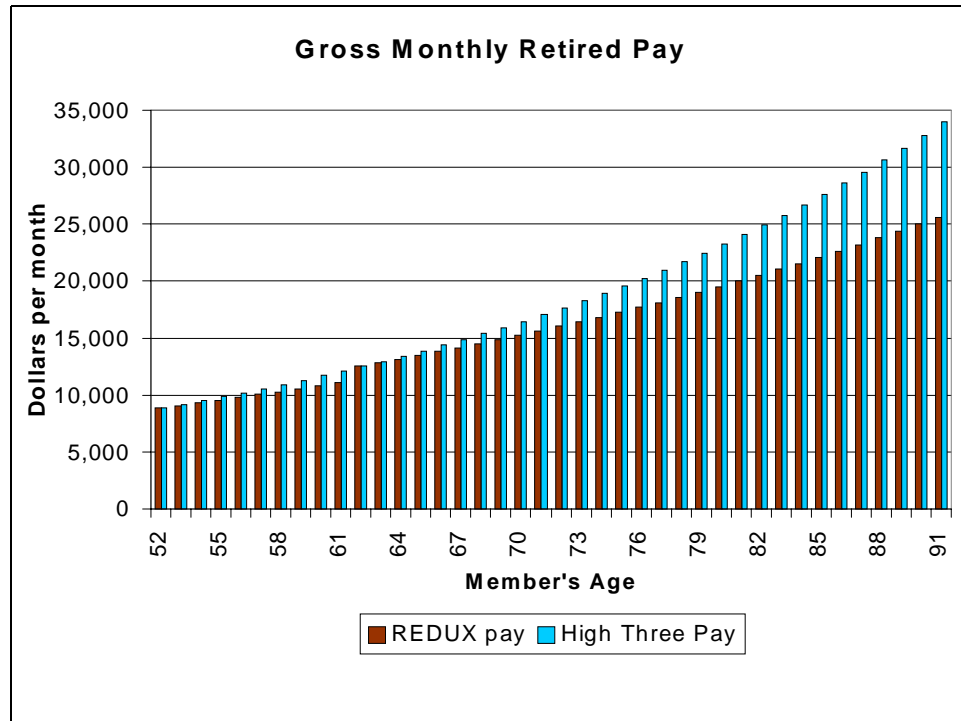
These results will vary depending on your choices and the assumptions. The above example is only a simple comparison of the essential differences between electing REDUX/Bonus or accepting High-3. See the Considerations section for a more in-depth discussion on factors that will affect the results depicted.

O-6 Retiring at 30 Years of Service

This first chart depicts the estimated gross monthly retired payments under both retirement options. Taxes and participation in the SBP are not considered. The REDUX jump reflects the cost-of-living catch up adjustment and multiplier re-adjustment at age 62. In comparing your options, focus on the differences on the level of retired pay. You need to determine whether your \$30,000 bonus at the 15th year will make up for these reductions.

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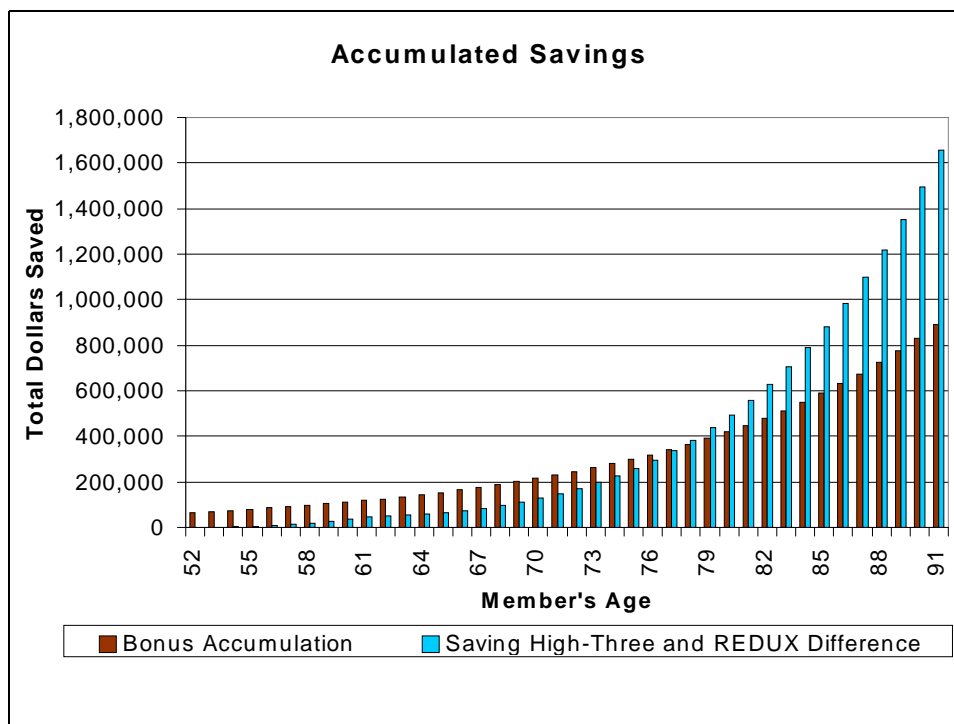
Retirement Choice



In the following chart, the amounts shown are the accumulation of after-tax savings from electing the \$30,000 bonus at year 15 compared to the accumulation from saving the after-tax difference in the High-3 retired pay over the REDUX retired pay. In this case, the savings of extra retired pay in the High-3 option surpasses the accumulated savings from the bonus when the member is 78. This cross-over would be delayed or eliminated if the after tax earnings from the mutual fund/savings were much higher than 8 percent.

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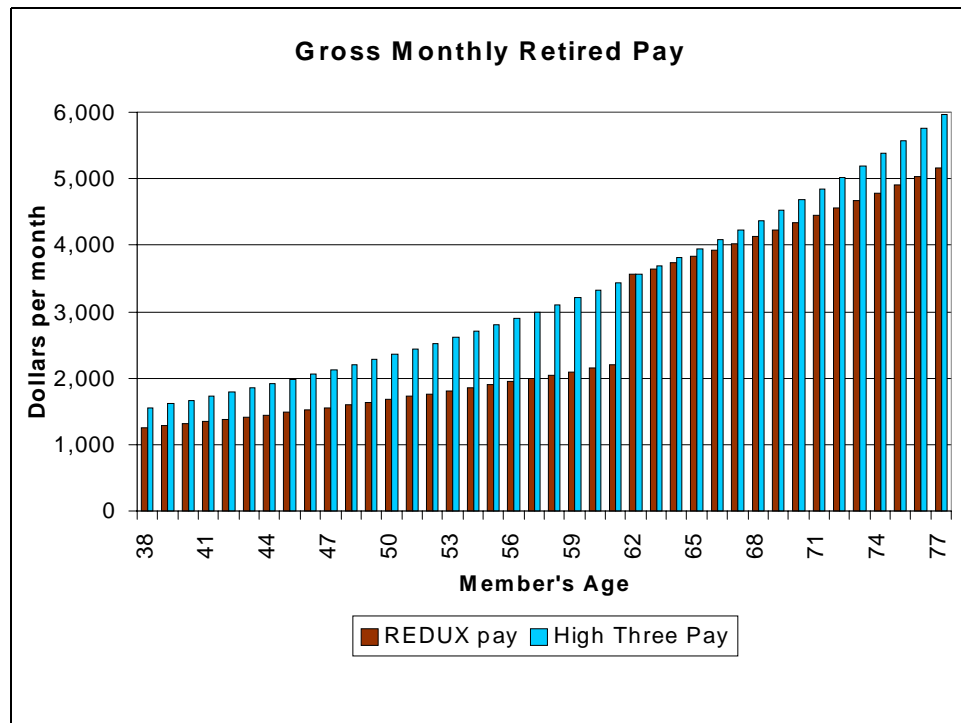
These results will vary depending on your choices and the assumptions. The above example is only a simple comparison of the essential differences between electing REDUX/Bonus or accepting High-3. See the Considerations section for a more in-depth discussion on factors that will affect the results depicted.

E-7 Retiring at 20 Years of Service

This first chart depicts the estimated gross monthly retired payments under both retirement options. Taxes and participation in the SBP are not considered. The REDUX jump reflects the cost-of-living catch up adjustment and multiplier re-adjustment at age 62. In comparing your options, focus on the differences on the level of retired pay. You need to determine whether your \$30,000 bonus at the 15th year will make up for these reductions.

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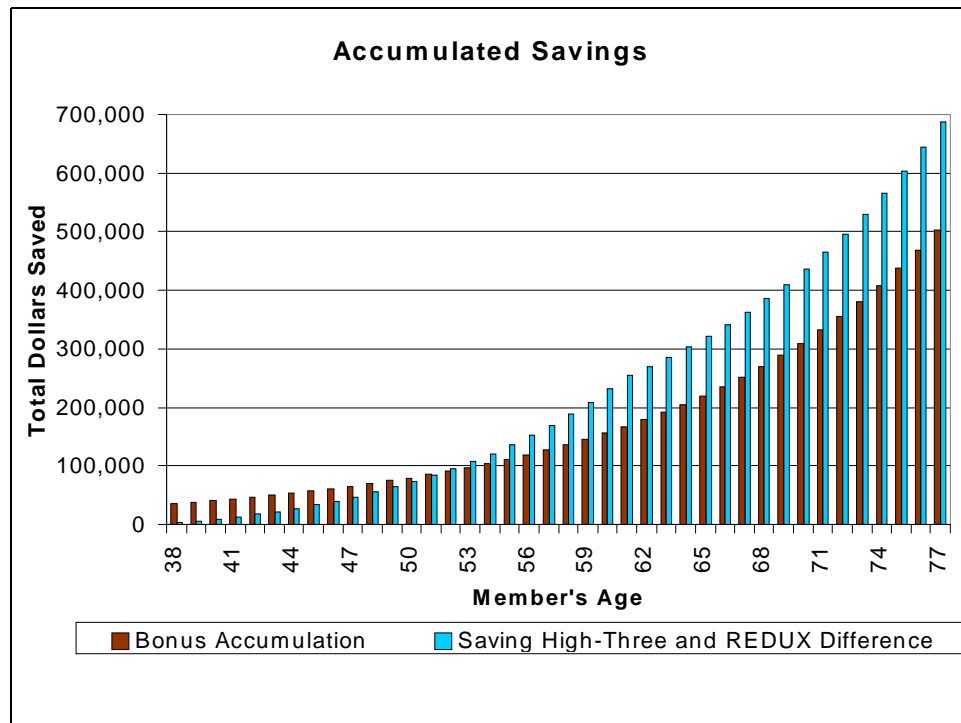
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In the following chart, the amounts shown are the accumulation of after-tax savings from electing the \$30,000 bonus at year 15 compared to the accumulation from saving the after-tax difference in the High-3 retired pay over the REDUX retired pay. In this case, the savings of extra retired pay in the High-3 option surpasses the accumulated savings from the bonus when the member is 52. This cross-over would be delayed or eliminated if the after tax earnings from the mutual fund/savings were much higher than 8 percent.

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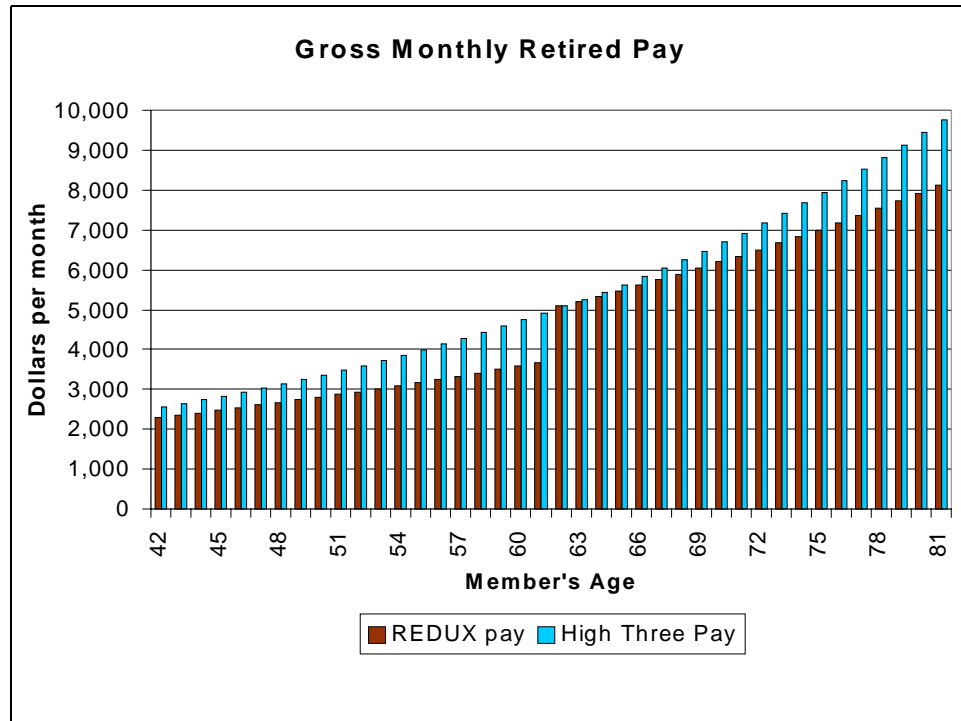
These results will vary depending on your choices and the assumptions. The above example is only a simple comparison of the essential differences between electing REDUX/Bonus or accepting High-3. See the Considerations section for a more in-depth discussion on factors that will affect the results depicted.

E-8 Retiring at 24 Years of Service

This first chart depicts the estimated gross monthly retired payments under both retirement options. Taxes and participation in the SBP are not considered. The REDUX jump reflects the cost-of-living catch up adjustment and multiplier re-adjustment at age 62. In comparing your options, focus on the differences on the level of retired pay. You need to determine whether your \$30,000 bonus at the 15th year will make up for these reductions.

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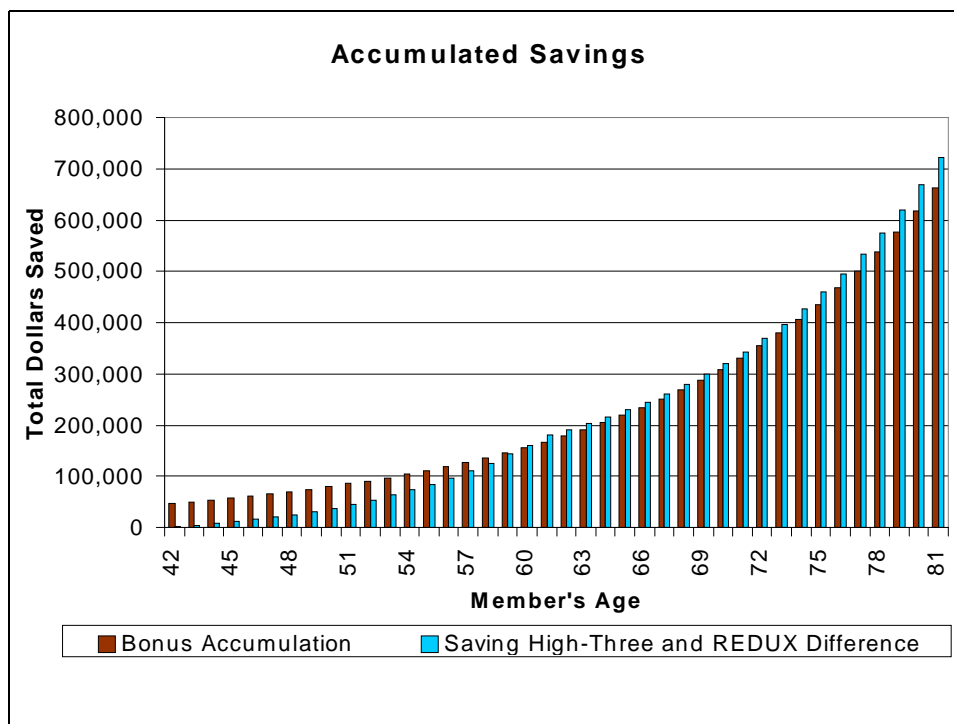
Retirement Choice



In the following chart, the amounts shown are the accumulation of after-tax savings from electing the \$30,000 bonus at year 15 compared to the accumulation from saving the after-tax difference in the High-3 retired pay over the REDUX retired pay. In this case, the savings of extra retired pay in the High-3 option surpasses the accumulated savings from the bonus when the member is 60. This cross-over would be delayed or eliminated if the after tax earnings from the mutual fund/savings were much higher than 8 percent.

Military Pay and Benefits 2000

Retirement Choice



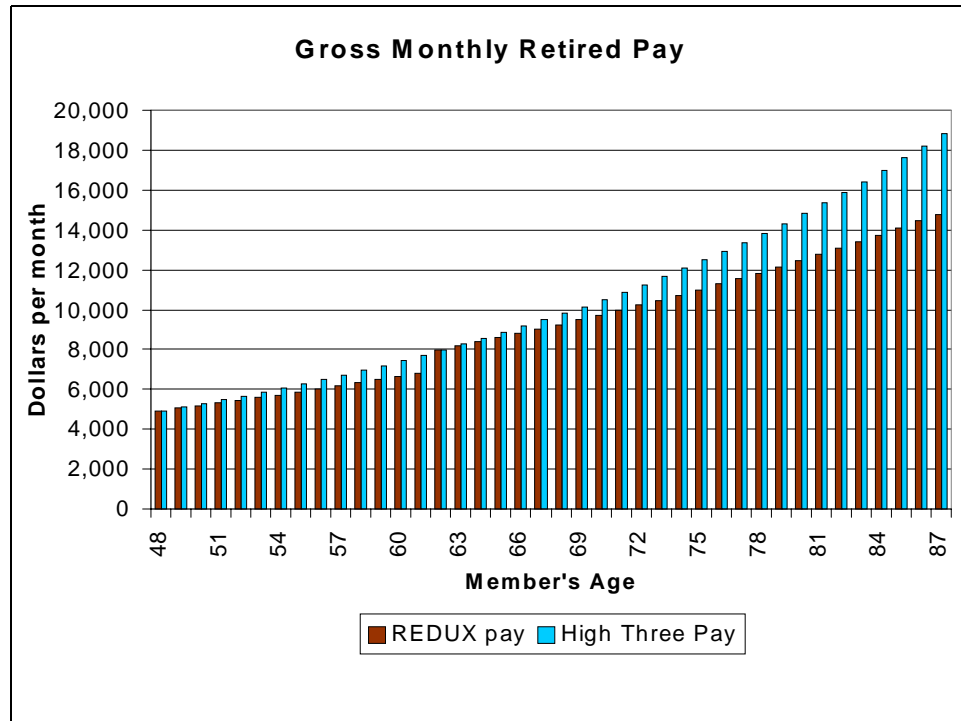
These results will vary depending on your choices and the assumptions. The above example is only a simple comparison of the essential differences between electing REDUX/Bonus or accepting High-3. See the Considerations section for a more in-depth discussion on factors that will affect the results depicted.

E-9 Retiring at 30 Years of Service

This first chart depicts the estimated gross monthly retired payments under both retirement options. Taxes and participation in the SBP are not considered. The REDUX jump reflects the cost-of-living catch up adjustment and multiplier re-adjustment at age 62. In comparing your options, focus on the differences on the level of retired pay. You need to determine whether your \$30,000 bonus at the 15th year will make up for these reductions.

Military Pay and Benefits 2000

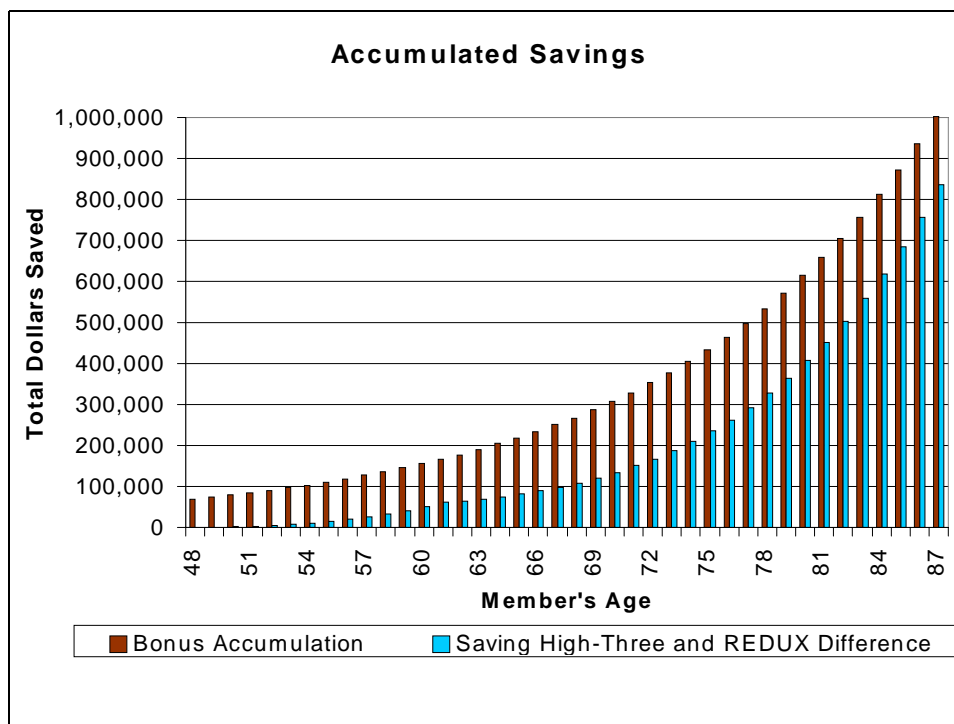
Retirement Choice



In the following chart, the amounts shown are the accumulation of after-tax savings from electing the \$30,000 bonus at year 15 compared to the accumulation from saving the after-tax difference in the High-3 retired pay over the REDUX retired pay. In this case, the accumulated savings from the bonus exceeds the savings of extra retired pay in the High-3 option. This effect occurs because 1) this member has 15 years of earnings accumulated from the bonus before beginning to save the difference between the High-3 and REDUX retired pay, and 2) as the member served a 30-year career, the retirement multiplier is equal for REDUX and High-3 (and, therefore, the retired pay only differs by the Cost-of-Living Adjustment). This result could vary depending on the rates of return for the bonus savings.

Military Pay and Benefits 2000

Retirement Choice



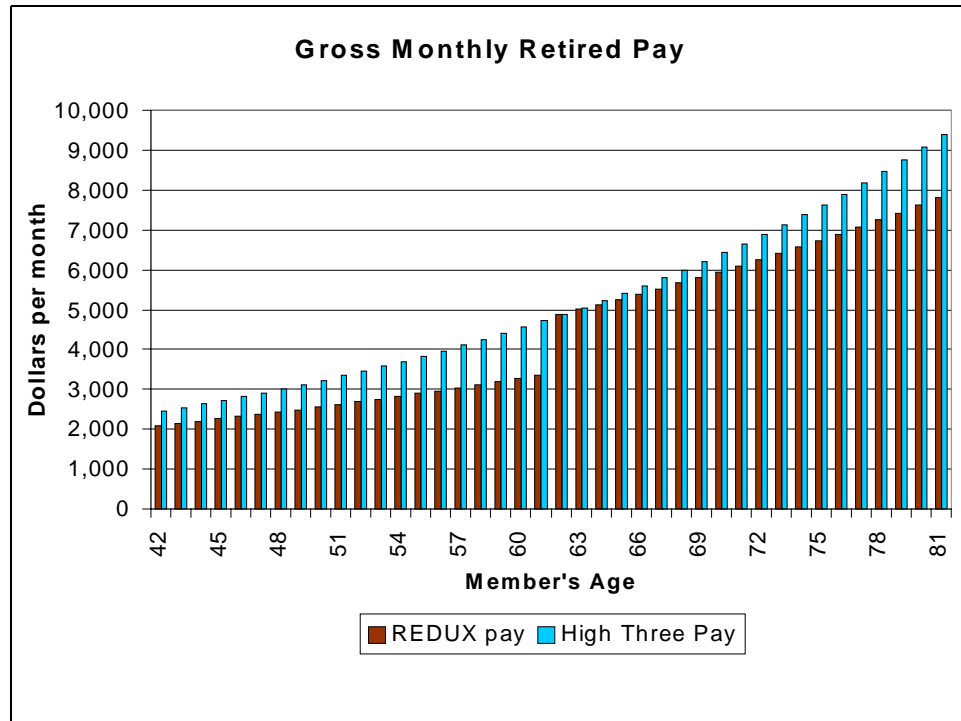
These results will vary depending on your choices and the assumptions. The above example is only a simple comparison of the essential differences between electing REDUX/Bonus or accepting High-3. See the Considerations section for a more in-depth discussion on factors that will affect the results depicted.

W-3 Retiring at 22 Years of Service

This first chart depicts the estimated gross monthly retired payments under both retirement options. Taxes and participation in the SBP are not considered. The REDUX jump reflects the cost-of-living catch up adjustment and multiplier re-adjustment at age 62. In comparing your options, focus on the differences on the level of retired pay. You need to determine whether your \$30,000 bonus at the 15th year will make up for these reductions.

Military Pay and Benefits 2000

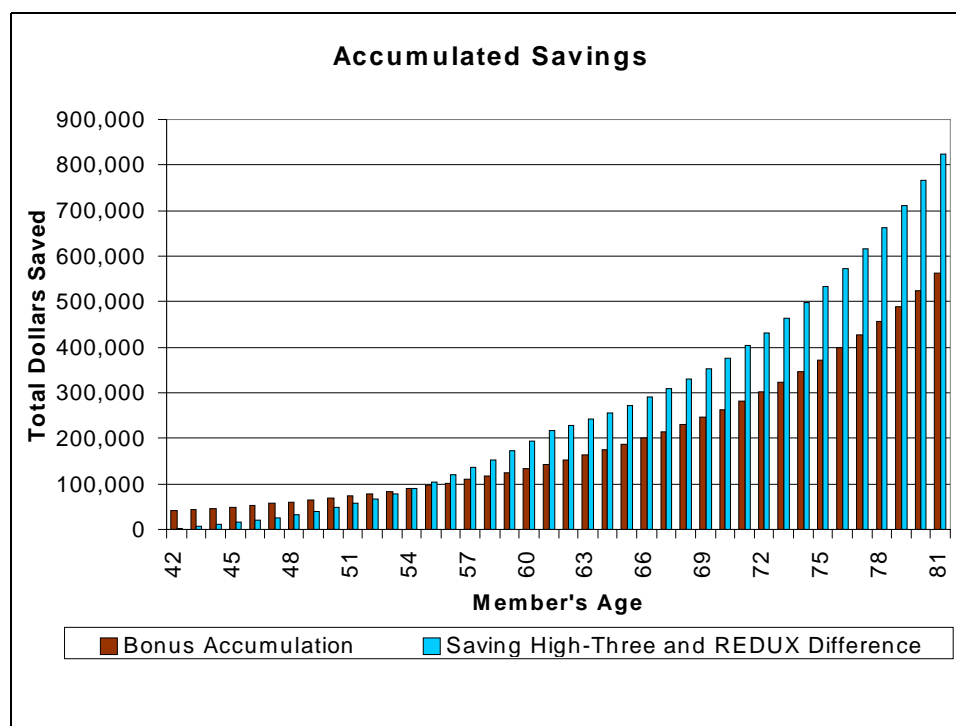
Retirement Choice



In the following chart, the amounts shown are the accumulation of after-tax savings from electing the \$30,000 bonus at year 15 compared to the accumulation from saving the after-tax difference in the High-3 retired pay over the REDUX retired pay. In this case, the savings of extra retired pay in the High-3 option surpasses the accumulated savings from the bonus when the member is 55. This cross-over would be delayed or eliminated if the after tax earnings from the mutual fund/savings were much higher than 8 percent.

Military Pay and Benefits 2000

Retirement Choice



These results will vary depending on your choices and the assumptions. The above example is only a simple comparison of the essential differences between electing REDUX/Bonus or accepting High-3. See the Considerations section for a more in-depth discussion on factors that will affect the results depicted.

Considerations

The typical situations shown here depend on our fixed set of assumptions, each of which influence the result. This web page has an interactive calculator that will allow you to change any of these assumptions to see what happens. For now we will just discuss the impact of these assumptions in general terms.

Choice on Use of the Bonus: In these typical situations, we show the member investing in a combination of a Thrift Savings Plan and a mutual fund. But, that is not the only option.

- **Expenses:** You could elect to spend all or part of it. Some items, such as a car, would be used up after a period of time and have little to show for the long term. Used as a down payment on a home, the bonus money would have a much longer utility. Only you can "value" the worth of such options - and the long-term benefit or value to you and your family.

Military Pay and Benefits 2000

Retirement Choice

- **Education:** You could use the bonus for education, either for yourself (to help you qualify for a better second career, with a higher income) or for your children and thus prepare them for a more successful future or avoid large college loans.
- **Business Investment:** Using the bonus as seed money for a second-career business may be critical in order to start that business. However, the risk is not insignificant, but this may be an important venture that you have been waiting for.

Inflation: Inflation affects the COLAs that increase retired pay. It is hard to say what impact a higher than assumed rate of inflation would do in terms of which option is better. Because the COLAs for the REDUX option are reduced by one percentage point (although the age 62 re-adjustment will create equality in retired pay for that year) whether inflation is high or low, the net impact will not vary dramatically. The REDUX option will provide a reduced level of retire pay in every case.

Return on Investment: This assumption is much more volatile in terms of impact on which option will provide you a more secure financial picture in the years ahead. The typical situations assume that the bonus money invested in a mutual fund will receive an 8 percent return annually. Mutual fund returns may vary widely from one year to the next. The return on investment assumption is critical to how fast and how much earnings accumulate on the bonus. If this assumption is incorrect, the estimate of the future value of the bonus could be significantly under or over-stated. Investment options come with a variety of risks versus benefit. Savings accounts may be less risky, but the return on investment will likely be lower. Investing in high tech stocks may be potentially enriching, but at a much higher risk.

Length of Military Career: Comparing the typical situations may show you the value of a shorter versus longer career. The more years of service a member has the less difference there is between the initial REDUX retired pay and the High-3 retired pay. This is because the REDUX retired pay multiplier becomes progressively closer to the High-3 multiplier each year until they are both 75% at thirty years. Therefore, the longer you stay in, the more your use of the bonus (only available under the CSB/REDUX option) will determine the best option.

You Decide

A Personalized Retirement Calculator

The typical situations section shows comparative results in the choice of retirement options for selected individuals with specific ranks and years of service that may not match your own circumstances. The Pay 2000 website includes a personalized

Military Pay and Benefits 2000

Retirement Choice

retirement calculator. This calculator gives you the ability to generate similar charts and tables based on your personal situation. In addition to tailoring the results to your expected retirement grade, years of service, and age, you determine the use of the \$30,000 Career Status Bonus under the CSB/REDUX option. You may allocate money into the Thrift Savings Plan (TSP), an investment (such as a mutual fund), and/or spend a portion on a purchase. The calculator allows allocation of a portion of the bonus into the TSP (up to the normal yearly limit on such plans). , This calculator also allows you to change some of the economic assumptions, such as the inflation rate and the expected return that you could gain from investing the bonus.

Frequently Asked Questions

Q.1: How do I know if I'm under High-3 or the pre-1980 system?

A: In the same way the Date Initially Entered Military Service (DIEMS) determines who is in High-3 versus who may choose their retirement system, your DIEMS determines if you are under High-3 or the pre-1980 system referred to as Final Pay. Here are the common examples of circumstances that cross the September 8, 1980, date.

- Academy graduates who entered the Academy prior to, but graduated after, September 8, 1980, are under the Final Pay System.
- ROTC graduates who began a ROTC scholarship program or enlisted as a Reserve in the Senior ROTC program prior to September 8, 1980, are also under the Final Pay System.
- Officer and enlisted members who initially entered the military prior to September 8, 1980, separated, and after a break in service, rejoined the military, are under the Final Pay System, even if their paydate was adjusted to a date of September 8, 1980, or later.
- Members who enlisted under the delayed entry program (DEP) before September 8, 1980, are Final Pay even if they initially reported for duty, after September 8, 1980.

Q.2: I've always been told my Academy time doesn't count toward my retirement. You're telling me differently?

A: No. You've been told correctly. Academy time does not add to your years of service and, thereby, increase your retired pay. But, the date you entered the Academy determines (in most cases) WHICH retirement system you receive.

Q.3: When do I have to decide?

A: You must generally decide between 14 ½ and 15 years of service.

Military Pay and Benefits 2000

Retirement Choice

Q.4: When do I get the bonus?

A: You will receive your bonus within 90 days after you submit your election paperwork and it is accepted by your Service. Thus, you will normally be paid by the 15 year and 3 month point of your career.

Q.5: Suppose I take the Career Status Bonus and later change my mind, can I? Even if I give the bonus back?

A: Electing your retirement system is an irrevocable decision. You can not change your election, even if you return the Career Status Bonus. Your decision is not considered a final decision until you complete your 15th year of active duty service. Check carefully with your Service to see when your election will be considered final and thus, no longer revocable.

Q.6: What happens if I take the Career Status Bonus and am forced to separate?

A: Generally speaking, if you fail to complete a 20-year career, by law, you are required to return a pro-rated share of the Career Status Bonus for the time you did not complete. Service policies may offer alternatives to this general policy for specific situations. The pro-rated amount would be forgiven in cases of death, disability retirement, or separation under a service program where you were requested to separate or retire early.

Q.7: When is it advantageous to take the bonus?

A: Each individual's unique circumstances will determine which retirement option is better. The CSB/REDUX option should be carefully considered for individuals who are planning longer careers. The multiplier under REDUX comes closer to the High-3 multiplier the longer the individual stays in beyond 20 years, and finally the multipliers become equal at 30 years. Also, everyone that invests the bonus would have 5 to 15 years of compounded savings accumulated at their retirement point.

Q.8: This is a hard decision; who can help me decide?

A: In the end, only you can make the decision, but there are many sources of assistance. This webpage hosts a "calculator" that will aid you by estimating the value of the two options in relation to your personal situation. You should also seek assistance from resources on your base such as financial counselors, your chain of command, and your personnel office.

Q.9: I'm a member of the Reserves, how does this affect me?

A: If you are a post-July 1986 member who is serving on active duty with 14 and 1/2 years of retirement creditable service, you may also choose between High-3 and CSB/REDUX option. The reduced retired pay Cost-of-Living Adjustments (COLAs) of REDUX will apply only to persons who elect the CSB.

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Retirement Choice

Reserve members anticipating a Reserve retirement at age 60 (called a non-regular retirement) are not eligible to elect the CSB/REDUX option because the non-regular retired pay multiplier was unaffected by the 1986 REDUX retirement changes. They were, however, affected by the reduced COLA provision which set COLA to CPI minus one percentage point (CPI-1%). Recent legislation removed this provision so that Reservists who entered after July 1986 and who will receive a Reserve retirement at age 60 will receive full CPI COLAs.

Q.10: I'm under High-3 (entered service and so have a DIEMS before August 1986), can I take the bonus and switch to REDUX?

A: No. Only service members with a DIEMS of August 1, 1986, or later are authorized to choose their retirement system.

Q.11: Is the \$30,000 bonus taxable?

A: Yes. With the TSP, you may shelter up to the IRS maximum, which is expected to remain at \$10,500 for the year 2001, from taxes by placing it into a TSP account. Other rules and limits may apply to those in receipt of non-taxable pays in a Combat Zone or Qualified Hazardous Duty Area (QHDA). Consult your Service Tax authorities and TSP information sources for more specifics.

Q.12: At what rate?

A: The bonus is taxed at your Federal, and, if applicable, state, tax rate. Upon receipt, the portion not placed into the TSP will be subject to normal withholding rules. Should this exceed your tax rate, you would have the excess returned in your Federal tax refund.

Q.13: Will I be able to put the bonus in my IRA?

A: Standard IRA rules are unaffected. You may place up to \$2,000 in your IRA and shelter its earnings from taxes if otherwise qualified.

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Thrift Savings Plan

Authorization for a tax-deferred TSP

The National Defense Authorization Act for Fiscal Year 2000 along with the Floyd D. Spence National Defense Authorization Act for the Fiscal Year 2001, authorize a Thrift Savings Plan (TSP) for military members. A Thrift Savings Plan (TSP) allows members to save a portion of their basic pay in a special account. Both the money placed into this account and its earnings would be tax-deferred until withdrawal. So, members who save \$1,000 and are in a 15% tax bracket, save \$150 in taxes for that year. Not only is there a tax savings in the year the money is placed in the account, but there are more future earnings because the money saved on taxes goes to work making more money. Because the earnings are not taxed until withdrawn, the compounded growth can be substantial. This is a retirement account and the money can not normally be withdrawn, without penalties, until the member reaches the IRS specified age of 59½. Participants will be permitted to borrow against their TSP accounts at very favorable rates. These loans may be used to pay for cars, to purchase a home, or meet a personal need for extra cash.

Current plans would allow a member to deposit 5% of basic pay and any amount from special and incentive pays and bonuses into a TSP up to the IRS limit, currently \$10,500 per year. Unlike the Federal Employee Retirement System's Thrift Savings Plan, the government will not provide any matching funds. Even without a matching contribution, TSPs are an excellent way to save for retirement -- because their tax-deferred status enables the funds to compound more rapidly than in a taxable savings account or mutual fund.

There is one case where matching funds may be offered. The Secretary of Defense is permitted to establish a retention incentive that would allow matching funds of up to 5% of pay for a 6-year service commitment.

Frequently Asked Questions

Q.1: What is the Thrift Savings Plan?

A: The Thrift Savings Plan (TSP) is a retirement savings and investment program that has been available to civilian employees of the Federal Government since 1986.

The purpose of the TSP is to provide retirement income. It offers participants the same type of savings and tax benefits that many private corporations offer their employees under so-called "401(k)" plans.

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The TSP allows participants to save a portion of their pay in a special account. Money invested in the TSP comes from pre-tax dollars and reduces taxable income; investments and earnings are not taxed until they're withdrawn.

The National Defense Authorization Act for Fiscal Year 2000 (Public Law 106-65), as amended by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Public Law 106-398), extended the TSP to members of the Uniformed Services.

Q.2: Is it similar to the Federal Employee Thrift Savings Plan?

A: Uniformed members will participate in the same TSP used by Federal civilian employees. For convenience, the Thrift Board will refer to military accounts as the Uniformed Services Plan, or UNISERV.

Q.3: Who Administers the TSP?

A: The Federal Retirement Thrift Investment Board administers the TSP and contracts with the National Finance Center (NFC) to serve as the TSP record keeper. Your Service and the Defense Finance and Accounting Service will also play an important role in enrolling you into the TSP, maintaining your account, and transmitting your contributions to the NFC.

The Board. The Federal Retirement Thrift Investment Board is an independent Government agency. The five members of the Board and the Executive Director are required by law to manage the TSP prudently and solely in the interest of participants and their beneficiaries.

Investments in the TSP and earnings on those investments cannot be used for any purpose other than providing benefits to participants and their beneficiaries and paying TSP administrative expenses.

The financial statements of the Thrift Savings Fund are required by law to be audited annually. You'll be able to obtain the financial statements from the TSP Web site (www.tsp.gov) or by writing the NFC which acts as the TSP Service Office.

The Record Keeper. The Board has an agreement with the U.S. Department of Agriculture's National Finance Center (NFC) in New Orleans, Louisiana to provide record keeping services for the TSP. The NFC maintains the accounts of TSP participants.

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The TSP Service Office at NFC processes withdrawals, loans, and interfund transfers, as well as participants' designations of beneficiaries. The TSP Service Office will be your primary contact for information about your account after you separate from the Uniformed Services.

Your Service. Your service is responsible for determining your eligibility and reporting to the record keeper each pay period the contributions made to your account. Your service also distributes TSP materials and answers your questions about the TSP.

You should review the leave and earnings statement (LES) that you receive from your Service and your TSP Participant Statements to ensure that your Service provides NFC with correct and up-to-date information about you and your contributions. As long as you are a member of the Uniformed Services, your Service must also provide the record keeper with the personal information that is necessary to maintain your account (for example, your address). (If you have questions about your TSP account or your address is incorrect, contact the office in your Service that is responsible for TSP administration). Your Service is responsible for correcting errors in your personal information and contribution record.

Q.4: How does TSP Differ from the Military Retirement System?

A: Participation in the TSP is optional and not automatic. You'll need to sign-up with your Service to participate in the TSP. You contribute to the TSP from your own pay and the amount you contribute and the earnings attributable to your contributions belong to you. They're yours to keep even if you don't serve the 20 years necessary to receive military retired pay.

Unlike the TSP, military retired pay is a defined benefit program. This means that the benefit you receive from the military retirement system is based on your years of service and your salary, rather than on the amount of your contributions and earnings. Further, military retired pay is contingent upon meeting prescribed criteria such as years of service and carries a continued service status in which retired members may be subject to recall to active duty and remain subject to the Uniform Code of Military Justice. Also, military retired pay is funded from the Department of Defense Military Retirement Fund (MRF) which has no individual accounts. Payments made from the fund are made according to the laws that determine retirement benefits.

The TSP, on the other hand, is a defined contribution plan. The retirement income that you receive from your TSP account will depend on how much you have contributed to your account during your working years and the earnings on these contributions.

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Q.5: Who can participate in the UNISERV?

A: Members of the Uniformed Services serving on active duty and members of the Ready Reserve in any pay status.

Q.6: Is there any impact on retirees? Can part of retired pay be contributed to the TSP?

A: The UNISERV does not affect military retirees or the military retirement system. It simply allows active duty and members of the Ready Reserve to save a part of their military pay in a plan that offers before tax-savings, tax-deferred investment earnings, and low administrative and investment expenses.

Only pay for active or Reserve duty can be contributed to the TSP.

Q.7: How much can I contribute?

A: You can contribute up to 5 percent of your basic pay each month. You can also contribute any special or incentive pay you receive provided your total annual contributions do not exceed the Internal Revenue Code's annual limit of \$10,500.

To contribute from special or incentive pay, you must already be contributing from basic pay. You can only join the TSP during its annual open seasons. Consequently, if you anticipate receiving a large bonus (such as a reenlistment bonus) and want to contribute all or part of it to the TSP, you must plan to make sure you're able to start your contributions from basic pay prior to receiving the bonus.

If you serve in a combat zone, special rules apply. Your contributions are not subject to the Internal Revenue Code's \$10,500 annual limit. Your contributions are subject to the another Internal Revenue Code section that limits your contributions to \$30,000 or 25 percent of your military compensation whichever is less. Even when you serve in a combat zone, you still cannot contribute more that 5 percent of your basic pay each month.

Q.8: I'm a Federal Civilian Employee and have a TSP account, can I also have a UNISERV account if I serve in the Reserves?

A: Yes, you can have two accounts. If you're a member of the Ready Reserve and have a civilian TSP account (or a civilian 401(k) or 403(b) plan from your private-sector employer), the total of all your contributions may not exceed the Internal Revenue Code's annual limit of \$10,500. See the discussion above entitled "How much can I contribute?"

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Q.9: Can I contribute to an Individual Retirement Account and the Thrift Savings Plan, in the same year?

A: Yes. Participation in a TSP does not affect your ability to contribute to an IRA.

Q.10: Will DoD Match my Contributions?

A: The law allows Service Secretaries to designate critical military specialties. Members serving in these specialties who agree to serve for six years will be eligible for matching contributions. Your Service can tell you whether your specialty has been designated as critical and whether you are eligible to contract to receive matching contributions.

Q.11: Do I deposit money monthly or annually?

A: DFAS will send your contributions directly to the TSP through a payroll deduction each month.

Q.12: How is my money invested and how much will I earn on these investments?

A: As a TSP participant, you can invest any portion of your account in the three TSP investment funds:

Government Securities Investment (G) Fund

Common Stock Index Investment (C) Fund

Fixed Income Index Investment (F) Fund

On May 1, 2001, two new investment options will be available:

Small Capitalization Stock Index Investment Fund (S) Fund

International Stock Index Investment Fund (I) Fund

As a new participant, your contributions will automatically be invested in the G Fund until you make a contribution allocation with the TSP record keeper.

You'll be able to use the TSP Web site or their dial-in system, known as the Thrift-Line, to allocate your contributions among the various accounts. If you prefer, you'll also be able to allocate your contributions by submitting TSP Form TSP-U-50. Because the Web site and the ThriftLine are the most efficient ways to make investment requests, the Thrift Board encourages participants to use them.

You can learn more about these funds and the means of allocating your contributions at the TSP website: www.tsp.gov. The website also provides information on the past earnings of these funds which do not necessarily reflect the likelihood of future earnings. You must make these judgements for yourself and accept the different risks associated with any fund in which you invest.

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Q.13: When will I be able to join the TSP?

A: The legislation calls for members of the Uniformed Services to begin participating in the TSP within 360 days of October 30, 2000. At present, we envision that members will be able to enroll in the TSP beginning in October 2001. The extra time is necessary to ensure that the Thrift Board and DoD are able to provide timely and accurate service to the nearly 2.5 million members of the Uniformed Services who will be eligible to enroll in the TSP.

Members will sign-up to participate in the TSP during a special 60-day enrollment period known as an open season. Contributions will start in January 2002, which is the first pay period after the close of this open season.

Once this special open season closes, members who do not join when they enter the Uniformed Services will have two "open seasons" per year to enroll.

Q.14: When can I withdraw my money from the TSP?

A: The TSP is a retirement account and the money can not normally be withdrawn, without penalty, until the member reaches the IRS specified age of 59½.

If you separate from military service, you can also roll your TSP account into an I.R.A. or other qualified retirement plan without penalty.

Participants may also borrow from their TSP accounts without penalty. The repayments and interest go back into their own accounts. Since the plan is a retirement account, participants are better served if they can avoid borrowing from their accounts and continue to allow their contributions to accumulate earnings.

Q.15: Can I put my Career Status Bonus in the TSP?

A: As long as your total contributions for the year (to include contributions from your Career Status Bonus) don't exceed the \$10,500 cap, you may deposit as much as you like of your bonus into the TSP.

Q.16: Some critical career fields may get matching funds, how will that work?

A: The Secretaries of the Military Departments will be able to name the career fields that will receive matching funds. Members in those critical fields must agree to remain in that specialty for at least six years. If applicable to you, Government will match a portion of your contributions up to 5% of your basic pay. If you put in 5%, the Government will put in another 4% -- for a total of 9% of basic pay throughout the commitment period. The Government matches each of the first 3 percent and half of the next 2 percent. The following chart shows the matching:

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You Contribute	Government Matching	Total
1%	1%	2%
2%	2%	4%
3%	3%	6%
4%	3.5%	7.5%
5%	4%	9%

Q.17: Can I stop/start/change at any time?

A: Starting is limited to “open seasons” that will take place every six months. While you can stop at any time, generally, if you stop outside of an open season, you must wait at least six months to reenroll.

MONTHLY BASIC PAY TABLE

EFFECTIVE 1 JANUARY 2001

YEARS OF SERVICE

PAY GRADE	<2	2	3	4	6	8	10	12	14	16	18	20	22	24	26
COMMISSIONED OFFICERS															
O-10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11049.30	11103.90	11141.70	11141.70
O-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9664.20	9803.40	10004.70	10356.00
O-8	6838.20	7062.30	7210.50	7252.20	7437.30	7747.80	7819.80	8114.10	8198.70	8451.60	8818.50	9156.90	9382.80	9382.80	9382.80
O-7	5682.30	6068.40	6068.40	6112.50	6340.80	6514.50	6715.50	6915.90	7116.90	7747.80	8280.90	8280.90	8280.90	8280.90	8322.60
O-6	4211.40	4626.60	4930.20	4930.20	4949.10	5160.90	5189.10	5189.10	5360.70	6005.40	6311.40	6617.40	6791.40	6967.80	7309.80
O-5	3368.70	3954.90	4228.80	4280.40	4450.50	4450.50	4584.30	4831.80	5155.80	5481.60	5637.00	5790.30	5964.60	5964.60	5964.60
O-4	2839.20	3457.20	3687.90	3739.50	3953.40	4127.70	4409.70	4629.30	4781.70	4935.00	4986.60	4986.60	4986.60	4986.60	4986.60
O-3	2638.20	2991.00	3228.00	3489.30	3656.40	3839.70	3992.70	4189.80	4292.10	4292.10	4292.10	4292.10	4292.10	4292.10	4292.10
O-2	2301.00	2620.80	3018.60	3120.30	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80
O-1	1997.70	2079.00	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80
COMMISSIONED OFFICERS WITH OVER 4 YEARS ACTIVE DUTY SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER															
O-3E	0.00	0.00	0.00	3489.30	3656.40	3839.70	3992.70	4189.80	4355.70	4450.50	4580.40	4580.40	4580.40	4580.40	4580.40
O-2E	0.00	0.00	0.00	3120.30	3184.80	3285.90	3457.20	3589.50	3687.90	3687.90	3687.90	3687.90	3687.90	3687.90	3687.90
O-1E	0.00	0.00	0.00	2512.80	2684.10	2783.10	2884.20	2984.10	3120.30	3120.30	3120.30	3120.30	3120.30	3120.30	3120.30
WARRANT OFFICERS															
W-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4640.70	4800.00	4959.90	5120.10
W-4	2688.00	2891.70	2974.80	3056.70	3197.40	3336.30	3477.00	3614.10	3756.30	3892.50	4032.00	4168.20	4309.50	4448.40	4590.90
W-3	2443.20	2649.90	2649.90	2684.10	2793.90	2919.00	3084.30	3184.80	3294.60	3420.30	3545.10	3669.90	3794.70	3919.80	4045.20
W-2	2139.60	2315.10	2315.10	2391.00	2512.80	2649.90	2750.70	2851.50	2949.60	3058.20	3169.50	3280.80	3391.80	3503.40	3503.40
W-1	1782.60	2043.90	2043.90	2214.60	2315.10	2419.20	2523.30	2626.80	2731.50	2835.90	2940.00	3018.60	3018.60	3018.60	3018.60
ENLISTED MEMBERS															
E-9	0.00	0.00	0.00	0.00	0.00	0.00	3126.90	3197.40	3287.10	3392.40	3498.00	3601.80	3742.80	3882.60	4060.80
E-8	0.00	0.00	0.00	0.00	0.00	2622.00	2697.90	2768.40	2853.30	2945.10	3041.10	3138.00	3278.10	3417.30	3612.60
E-7	1831.20	1999.20	2075.10	2149.80	2227.20	2303.10	2379.00	2454.90	2529.60	2607.00	2683.80	2758.80	2890.80	3034.50	3250.50
E-6	1575.00	1740.30	1817.40	1891.80	1969.50	2046.00	2122.80	2196.90	2272.50	2327.70	2367.90	2367.90	2370.30	2370.30	2370.30
E-5	1381.80	1549.20	1623.90	1701.00	1777.80	1855.80	1930.50	2007.90	2007.90	2007.90	2007.90	2007.90	2007.90	2007.90	2007.90
E-4	1288.80	1423.80	1500.60	1576.20	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00
E-3	1214.70	1307.10	1383.60	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40
E-2	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10
E-1 >4	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80
E-1 <4	964.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

C/S 11141.70 M/S 4893.60

NOTE -- BASIC PAY FOR O-7 AND ABOVE IS LIMITED TO \$11,141.70 LEVEL III OF THE EXECUTIVE SCHEDULE

NOTE -- BASIC PAY FOR O-6 AND BELOW IS LIMITED TO \$9,800.10 LEVEL V OF THE EXECUTIVE SCHEDULE

UNOFFICIAL

RESERVE PAY FOR 4 DRILLS

EFFECTIVE 1 JANUARY 2001

YEARS OF SERVICE

PAY GRADE	<2	2	3	4	6	8	10	12	14	16	18	20	22	24	26
COMMISSIONED OFFICERS															
O-10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1473.24	1480.52	1485.56	1485.56
O-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1288.56	1307.12	1333.96	1380.80
O-8	911.76	941.64	961.40	966.96	991.64	1033.04	1042.64	1081.88	1093.16	1126.88	1175.80	1220.92	1251.04	1251.04	1251.04
O-7	757.64	809.12	809.12	815.00	845.44	868.60	895.40	922.12	948.92	1033.04	1104.12	1104.12	1104.12	1104.12	1109.68
O-6	561.52	616.88	657.36	657.36	659.88	688.12	691.88	691.88	714.76	800.72	841.52	882.32	905.52	929.04	974.64
O-5	449.16	527.32	563.84	570.72	593.40	593.40	611.24	644.24	687.44	730.88	751.60	772.04	795.28	795.28	795.28
O-4	378.56	460.96	491.72	498.60	527.12	550.36	587.96	617.24	637.56	658.00	664.88	664.88	664.88	664.88	664.88
O-3	351.76	398.80	430.40	465.24	487.52	511.96	532.36	558.64	572.28	572.28	572.28	572.28	572.28	572.28	572.28
O-2	306.80	349.44	402.48	416.04	424.64	424.64	424.64	424.64	424.64	424.64	424.64	424.64	424.64	424.64	424.64
O-1	266.36	277.20	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04
COMMISSIONED OFFICERS WITH OVER 4 YEARS ACTIVE DUTY SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER															
O-3E	0.00	0.00	0.00	465.24	487.52	511.96	532.36	558.64	580.76	593.40	610.72	610.72	610.72	610.72	610.72
O-2E	0.00	0.00	0.00	416.04	424.64	438.12	460.96	478.60	491.72	491.72	491.72	491.72	491.72	491.72	491.72
O-1E	0.00	0.00	0.00	335.04	357.88	371.08	384.56	397.88	416.04	416.04	416.04	416.04	416.04	416.04	416.04
WARRANT OFFICERS															
W-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	618.76	640.00	661.32	682.68
W-4	358.40	385.56	396.64	407.56	426.32	444.84	463.60	481.88	500.84	519.00	537.60	555.76	574.60	593.12	612.12
W-3	325.76	353.32	353.32	357.88	372.52	389.20	411.24	424.64	439.28	456.04	472.68	489.32	505.96	522.64	539.36
W-2	285.28	308.68	308.68	318.80	335.04	353.32	366.76	380.20	393.28	407.76	422.60	437.44	452.24	467.12	467.12
W-1	237.68	272.52	272.52	295.28	308.68	322.56	336.44	350.24	364.20	378.12	392.00	402.48	402.48	402.48	402.48
ENLISTED MEMBERS															
E-9	0.00	0.00	0.00	0.00	0.00	0.00	416.92	426.32	438.28	452.32	466.40	480.24	499.04	517.68	541.44
E-8	0.00	0.00	0.00	0.00	0.00	349.60	359.72	369.12	380.44	392.68	405.48	418.40	437.08	455.64	481.68
E-7	244.16	266.56	276.68	286.64	296.96	307.08	317.20	327.32	337.28	347.60	357.84	367.84	385.44	404.60	433.40
E-6	210.00	232.04	242.32	252.24	262.60	272.80	283.04	292.92	303.00	310.36	315.72	315.72	316.04	316.04	316.04
E-5	184.24	206.56	216.52	226.80	237.04	247.44	257.40	267.72	267.72	267.72	267.72	267.72	267.72	267.72	267.72
E-4	171.84	189.84	200.08	210.16	220.40	220.40	220.40	220.40	220.40	220.40	220.40	220.40	220.40	220.40	220.40
E-3	161.96	174.28	184.48	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72
E-2	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88
E-1 >4	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04
E-1 <4	128.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NOTE -- BASIC PAY FOR O-7 AND ABOVE IS LIMITED TO \$1,485.56 LEVEL III OF THE EXECUTIVE SCHEDULE

NOTE -- BASIC PAY FOR O-6 AND BELOW IS LIMITED TO \$1,306.68 LEVEL V OF THE EXECUTIVE SCHEDULE

UNOFFICIAL

MONTHLY BASIC PAY TABLE

EFFECTIVE 1 JULY 2001

The table below reflects the minimum increase that will occur in July. The Secretary of Defense is authorized to make additional modifications. When this table is finalized, this web site will be updated.

YEARS OF SERVICE

PAY GRADE	<2	2	3	4	6	8	10	12	14	16	18	20	22	24	26
COMMISSIONED OFFICERS															
O-10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11049.30	11103.90	11141.70	11141.70
O-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9664.20	9803.40	10004.70	10356.00
O-8	6838.20	7062.30	7210.50	7252.20	7437.30	7747.80	7819.80	8114.10	8198.70	8451.60	8818.50	9156.90	9382.80	9382.80	9382.80
O-7	5682.30	6068.40	6068.40	6112.50	6340.80	6514.50	6715.50	6915.90	7116.90	7747.80	8280.90	8280.90	8280.90	8280.90	8322.60
O-6	4211.40	4626.60	4930.20	4930.20	4949.10	5160.90	5189.10	5189.10	5360.70	6005.40	6311.40	6617.40	6791.40	6967.80	7309.80
O-5	3368.70	3954.90	4228.80	4280.40	4450.50	4450.50	4584.30	4831.80	5155.80	5481.60	5637.00	5790.30	5964.60	5964.60	5964.60
O-4	2839.20	3457.20	3687.90	3739.50	3953.40	4127.70	4409.70	4629.30	4781.70	4935.00	4986.60	4986.60	4986.60	4986.60	4986.60
O-3	2638.20	2991.00	3228.00	3489.30	3656.40	3839.70	3992.70	4189.80	4292.10	4292.10	4292.10	4292.10	4292.10	4292.10	4292.10
O-2	2301.00	2620.80	3018.60	3120.30	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80	3184.80
O-1	1997.70	2079.00	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80	2512.80
COMMISSIONED OFFICERS WITH OVER 4 YEARS ACTIVE DUTY SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER															
O-3E	0.00	0.00	0.00	3489.30	3656.40	3839.70	3992.70	4189.80	4355.70	4450.50	4580.40	4580.40	4580.40	4580.40	4580.40
O-2E	0.00	0.00	0.00	3120.30	3184.80	3285.90	3457.20	3589.50	3687.90	3687.90	3687.90	3687.90	3687.90	3687.90	3687.90
O-1E	0.00	0.00	0.00	2512.80	2684.10	2783.10	2884.20	2984.10	3120.30	3120.30	3120.30	3120.30	3120.30	3120.30	3120.30
WARRANT OFFICERS															
W-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4640.70	4800.00	4959.90	5120.10
W-4	2688.00	2891.70	2974.80	3056.70	3197.40	3336.30	3477.00	3614.10	3756.30	3892.50	4032.00	4168.20	4309.50	4448.40	4590.90
W-3	2443.20	2649.90	2649.90	2684.10	2793.90	2919.00	3084.30	3184.80	3294.60	3420.30	3545.10	3669.90	3794.70	3919.80	4045.20
W-2	2139.60	2315.10	2315.10	2391.00	2512.80	2649.90	2750.70	2851.50	2949.60	3058.20	3169.50	3280.80	3391.80	3503.40	3503.40
W-1	1782.60	2043.90	2043.90	2214.60	2315.10	2419.20	2523.30	2626.80	2731.50	2835.90	2940.00	3018.60	3018.60	3018.60	3018.60
ENLISTED MEMBERS															
E-9	0.00	0.00	0.00	0.00	0.00	0.00	3126.90	3197.40	3287.10	3392.40	3498.00	3601.80	3742.80	3882.60	4060.80
E-8	0.00	0.00	0.00	0.00	0.00	2622.00	2697.90	2768.40	2853.30	2945.10	3041.10	3138.00	3278.10	3417.30	3612.60
E-7	1831.20	1999.20	2075.10	2149.80	2228.10	2362.20	2437.80	2512.80	2588.10	2666.10	2742.00	2817.90	2949.60	3034.50	3250.50
E-6	1575.00	1740.30	1817.40	1891.80	1969.80	2097.30	2174.10	2248.80	2325.00	2379.60	2421.30	2421.30	2421.30	2421.30	2421.30
E-5	1381.80	1549.20	1623.90	1701.00	1779.30	1888.50	1962.90	2040.30	2040.30	2040.30	2040.30	2040.30	2040.30	2040.30	2040.30
E-4	1288.80	1423.80	1500.60	1576.20	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00	1653.00
E-3	1214.70	1307.10	1383.60	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40	1385.40
E-2	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10	1169.10
E-1 >4	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80	1042.80
E-1 <4	964.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

C/S 11141.70 M/S 4893.60

NOTE -- BASIC PAY FOR O-7 AND ABOVE IS LIMITED TO \$11,141.70 LEVEL III OF THE EXECUTIVE SCHEDULE

NOTE -- BASIC PAY FOR O-6 AND BELOW IS LIMITED TO \$9,800.10 LEVEL V OF THE EXECUTIVE SCHEDULE

UNOFFICIAL

RESERVE PAY FOR 4 DRILLS

EFFECTIVE 1 JULY 2001

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YEARS OF SERVICE

PAY GRADE	<2	2	3	4	6	8	10	12	14	16	18	20	22	24	26
COMMISSIONED OFFICERS															
O-10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1473.24	1480.52	1485.56	1485.56
O-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1288.56	1307.12	1333.96	1380.80
O-8	911.76	941.64	961.40	966.96	991.64	1033.04	1042.64	1081.88	1093.16	1126.88	1175.80	1220.92	1251.04	1251.04	1251.04
O-7	757.64	809.12	809.12	815.00	845.44	868.60	895.40	922.12	948.92	1033.04	1104.12	1104.12	1104.12	1104.12	1109.68
O-6	561.52	616.88	657.36	657.36	659.88	688.12	691.88	691.88	714.76	800.72	841.52	882.32	905.52	929.04	974.64
O-5	449.16	527.32	563.84	570.72	593.40	593.40	611.24	644.24	687.44	730.88	751.60	772.04	795.28	795.28	795.28
O-4	378.56	460.96	491.72	498.60	527.12	550.36	587.96	617.24	637.56	658.00	664.88	664.88	664.88	664.88	664.88
O-3	351.76	398.80	430.40	465.24	487.52	511.96	532.36	558.64	572.28	572.28	572.28	572.28	572.28	572.28	572.28
O-2	306.80	349.44	402.48	416.04	424.64	424.64	424.64	424.64	424.64	424.64	424.64	424.64	424.64	424.64	424.64
O-1	266.36	277.20	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04	335.04
COMMISSIONED OFFICERS WITH OVER 4 YEARS ACTIVE DUTY SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER															
O-3E	0.00	0.00	0.00	465.24	487.52	511.96	532.36	558.64	580.76	593.40	610.72	610.72	610.72	610.72	610.72
O-2E	0.00	0.00	0.00	416.04	424.64	438.12	460.96	478.60	491.72	491.72	491.72	491.72	491.72	491.72	491.72
O-1E	0.00	0.00	0.00	335.04	357.88	371.08	384.56	397.88	416.04	416.04	416.04	416.04	416.04	416.04	416.04
WARRANT OFFICERS															
W-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	618.76	640.00	661.32	682.68
W-4	358.40	385.56	396.64	407.56	426.32	444.84	463.60	481.88	500.84	519.00	537.60	555.76	574.60	593.12	612.12
W-3	325.76	353.32	353.32	357.88	372.52	389.20	411.24	424.64	439.28	456.04	472.68	489.32	505.96	522.64	539.36
W-2	285.28	308.68	308.68	318.80	335.04	353.32	366.76	380.20	393.28	407.76	422.60	437.44	452.24	467.12	467.12
W-1	237.68	272.52	272.52	295.28	308.68	322.56	336.44	350.24	364.20	378.12	392.00	402.48	402.48	402.48	402.48
ENLISTED MEMBERS															
E-9	0.00	0.00	0.00	0.00	0.00	0.00	416.92	426.32	438.28	452.32	466.40	480.24	499.04	517.68	541.44
E-8	0.00	0.00	0.00	0.00	0.00	349.60	359.72	369.12	380.44	392.68	405.48	418.40	437.08	455.64	481.68
E-7	244.16	266.56	276.68	286.64	297.08	314.96	325.04	335.04	345.08	355.48	365.60	375.72	393.28	404.64	433.40
E-6	210.00	232.04	242.32	252.24	262.64	279.64	289.88	299.84	310.00	317.28	322.84	322.84	322.84	322.84	322.84
E-5	184.24	206.56	216.52	226.80	237.24	251.80	261.72	272.04	272.04	272.04	272.04	272.04	272.04	272.04	272.04
E-4	171.84	189.84	200.08	210.16	220.40	220.40	220.40	220.40	220.40	220.40	220.40	220.40	220.40	220.40	220.40
E-3	161.96	174.28	184.48	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72	184.72
E-2	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88	155.88
E-1 >4	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04	139.04
E-1 <4	128.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NOTE -- BASIC PAY FOR O-7 AND ABOVE IS LIMITED TO \$1,485.56 LEVEL III OF THE EXECUTIVE SCHEDULE

NOTE -- BASIC PAY FOR O-6 AND BELOW IS LIMITED TO \$1,306.68 LEVEL V OF THE EXECUTIVE SCHEDULE

UNOFFICIAL